Kaplan Open Learning (Essex) Limited

Annual report and financial statements

for the year ended 31 December 2020

Registered number 06245017

Contents page

Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements of Kaplan Open Learning (Essex) Limited ('the company') for the year ended 31 December 2020.

Principal activities

The company operates an affiliated college, in co-operation with the University of Essex, offering higher education programmes for students who wish to obtain a university degree via online study.

Business review and future developments

The company's results are a reflection of the increase in the number of new student enrolments during 2020. Revenue increased by £2,586k to £10,400k from 2019. Profit for the year increased by £477k to £1,626k from 2019.

The company has continued to invest in the design and delivery of high quality online higher education which has been recognised by external quality audits and independent student satisfaction surveys during the year. The company also has a gold rating in the Government's Teaching Excellence and Student Outcomes Framework (TEF). The company has grown its postgraduate courses provision and continues to recruit an increased number of UK and overseas students and, as such, is looking forward to increased volumes of trade in 2021, despite the impact of Covid-19.

It is anticipated that the planned launch of new courses and the growth of student enrolments in UK and emerging international markets will continue to ensure sustained profits in the future.

Principal risks and uncertainties

The principal risks and uncertainties to the business are a significant change in the overall amounts of funding available for higher education that would impact the online business, the general economic environment and increased competition.

The company does not anticipate that the departure of the UK from the European Union will have an impact on the enrolment of online students as they are not required to travel to the UK to study.

The Covid-19 pandemic is having a significant impact on the global economy and management has carried out a risk assessment by reviewing the make-up of its student body to identify risks to its liquidity. The company's active student base is made up of UK and overseas students. The majority of UK students are in receipt of funding through the Student Loans Company, a government funded body, this funding option will continue to remain available to students. Self-funded UK or overseas students have either paid in advance, or are taking advantage of the flexible payment options available. Management has only seen a minimal increase in students who are unable to make payments as they fall due and therefore unable to continue their studies. However, this has been offset by the increase in enrolments, as a result of the accessibility of online learning during the pandemic.

In addition, the company has a broad footprint in relation to the geographical spread of its non-UK students and it is felt that this breadth will soften the impact of certain markets being strongly impacted by the pandemic, either as a result of the fall in local revenues, or an adverse movement in exchange rates. Management maintains a regular review of outstanding student debt and will halt a student's enrolment onto subsequent modules where fees remain unpaid, thereby reducing the risk of recognising revenue which could result in an increase in bad debt expense.

Specifically, in response to the office closure, activated as a response to Covid-19, the company avoided any business disruption by acquiring IT Hardware to allow all staff to work remotely.

Directors' report for the year ended 31 December 2020 (continued)

Results and dividends
Turnover for the year amounted to £10,400k (2019: £7,814k). The profit for the financial year of £1,626k (2019: £1,145k) was taken to reserves. Net liabilities as at 31 December 2020 were £759k (2019: £2,385k). No dividend was paid or proposed (2019: £nil).

Directors

The directors, who held office during the year and up to the date of the signing of the financial statements, were as follows:

D Jones
A Thick

Directors' indemnities
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year, via Graham Holdings Company, its ultimate parent company, Directors' and Officers' liability insurance in respect of itself and its directors.

Employees' indemnities
The company maintains liability insurance for all employees. The liability insurance was in force during the financial year and also at the date of approval of the financial statements.

Financial risk management
The company is exposed to financial risk including credit risk, liquidity risk, cash flow risk and foreign exchange risk arising from the company's normal business activities. These risks and the company's approach to dealing with them are discussed below.

Credit risk
Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The company controls this risk by use of appropriate credit checks, limits and monitoring procedures.

Liquidity risk
Liquidity risk is the risk that insufficient working capital will be generated by the company's business activities and that in this event, suitable sources of funding may not be available. The company mitigates this risk by exercising effective credit management and, when required, receiving sufficient funding from its parent company for operations and long-term investment plans. There is no commercial borrowing.

Cash flow risk
Cash flow risk is the risk that there are insufficient funds to meet obligations as they fall due. The company collects tuition fees in advance from the majority of its students and has access to group funds to cover short term cash requirements.

Foreign exchange risk
Foreign exchange risk is the risk that foreign assets or liabilities may be adversely affected by the change in the value of the foreign currencies. The majority of transactions are sterling denominated and the company settles or seeks settlement of foreign currency denominated balances as quickly as possible to mitigate any exchange risk.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Directors' report for the year ended 31 December 2020 (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors

must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

OFS Reporting

The Directors confirm that whilst the primary purpose of reporting is to meet the requirements of Companies Act, the financial statements have been prepared in accordance with the requirements of Regulatory Advice 9 (Ref: OFS2019.41). The Directors also confirm that the person nominated to the OFS as the accountable officer is Nicola Pittman.

Small company's exemption

In accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, the company is exempt from the requirement to prepare a strategic report.

Going concern

The financial statements disclose all matters of which we are aware that are relevant to the ability of the company and its subsidiary to continue as a going concern, including all significant conditions and events, mitigating factors and plans of the company. The company also has the intent and ability to take actions necessary to continue as a going concern, and has obtained a letter of support from Graham Holdings Company (the ultimate parent company) which provides support for meeting our liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities. This support will take the form of cash injection or parent company guarantees where appropriate and the support has been provided for a minimum period of 12 months from the date of signing of the financial statements.

Re-appointment of auditors

Pursuant to section 487 of the Companies Act 2006, the auditors, Bishop Fleming LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

Directors' report for the year ended 31 December 2020 (continued)

This report was approved by the board and signed on its behalf by:

A Thick	N Pittman
Director	*Accountable officer to the OFS*
26 July 2021	26 July 2021

Statement of Corporate Governance and Internal Controls

Kaplan Open Learning (Essex) Limited ("the Company") is a private limited company offering a range of undergraduate and postgraduate degrees through remote learning. The Company is a private company fully owned by Graham Holdings, a company listed on the NYSE. The Company is on the Office for Students register under the approved (fee cap) category.

The Company is focused on helping its students develop the knowledge, intellectual capacity and professional experience they need for their long-term careers. Courses are designed to be academically demanding, industry relevant, and to inspire students with a real interest in how their chosen discipline plays a role in their future in the current professional world.

The Company has the following governing bodies in place:

- Executive Management Board (company level) ("The EMB")
- Operations Management Board (company level) ("The OMB")
- Academic Board (company level) ("The AB")

These governing bodies were in place throughout 2020 and up to the date of the approval of these financial statements. The Company is in the process of establishing an Audit and Risk Committee which will further strengthen governance.

The **EMB** is ultimately accountable for all the Company's activities. It oversees the work of the Company and ensures that the academic governance procedures are effectively managed. The EMB ensures that the Company's mission reflects the needs and interests of stakeholders and aligned to its financial plan. The EMB is also the principal financial and business authority of the Company, with responsibility to ensure proper auditing, and to approve the annual budget and financial statements. The EMB met on 4 occasions during the financial year ending 31 December 2020.

The **OMB** develop and implement the strategic plan for the Company. Its responsibilities include leadership, operational planning and management, risk management, financial planning, resource planning and management, managing stakeholder relationships (including industry partners) and legal obligations.

The **AB** has oversight of academic management, maintenance and enhancement of academic quality and standards, provision of appropriate learning opportunities for students and the encouragement of a thriving community of scholarship, professionalism and research.

The **Audit and Risk Committee** is being established in 2021 and will be chaired by an independent external member and examines risk management control and governance under delegation from the EMB. It helps the EMB discharge its responsibility for adequate and effective risk management, control and governance (including ensuring the probity of the financial statements) and for the economy, efficiency and effectiveness of the Company's activities.

The Company is committed to operating in a transparent manner. Its accounts are publicly available from Companies House and are due to be published on its website from August 2021.

Appointment of Executive Management Board

The EMB members include senior management of the Company and wider Kaplan organisation, with one independent external member being appointed to the role of non-executive director. This external member has significant experience in the Higher Education sector and was appointed after due diligence and thorough vetting by the EMB.

Principal and Accountable Officer

Nicola Pittman holds the office of Managing Director for the Company. She is responsible for the overall management, direction and organisation of the Company. The Managing Director is the designated Accountable Officer, as defined by the Office for Students.

Statement of Corporate Governance and Internal Controls (continued)

Statement of Executive Management Board's responsibilities

- Review and monitor the performance of the Company against its strategic goals and strategy, including its overall university partnership strategy;
- Review and monitor financial performance and achievement against financial goals and ensure financial and operational controls and risk assessments are in place to effectively manage risk;
- Review the Company's risk register;
- Define the authorities delegated to sub-groups and committees and receive updates on their activity;
- Receive and consider annual performance and other reports to inform the business of the EMB;
- Approve key policies that operate across the Company and delegate authority for policy approval to sub-groups and committees as appropriate; and
- Ensure regulatory compliance including ensuring the Office for Students public interest governance principles are upheld and delivered.

Statement of Internal Control

The EMB is responsible for the Company's internal controls and for reviewing the effectiveness of these controls.

The Company's system of internal control is an ongoing process designed to manage rather than eliminate the risk of failure to achieve its strategic aims and objectives. It seeks to identify the main risks to the achievement of the Company's strategic aims and objectives, and to evaluate and manage those risks effectively. This system was in place for the financial year ending 31 December 2020 and up to the date of approval of the financial statements. There are no significant internal control weaknesses or failures to report.

The following provides a summary of arrangements in place:

- The EMB meets up to 4 times per annum to consider the mission and strategic plan of the Company and to monitor performance against those plans;
- The EMB has responsibility for strategic planning and management, risk management, financial planning, resource planning and management, managing stakeholder relationships (including industry partners) and legal obligations;
- The Company has a risk register which is reviewed regularly, through which the EMB is able to evaluate the likelihood and impact of risks becoming a reality. The risk register covers business, operational and compliance risk as well as financial risk;
- The EMB has responsibility for approving the Company's budget and ensures regularity and propriety through regular scrutiny;
- The EMB receives regular reports on performance and areas of risk, including progress reports on key projects and action plans.

A Thick	N Pittman
Director	*Accountable officer to the OFS*
26 July 2021	26 July 2021

Independent auditors' report to the members of Kaplan Open Learning (Essex) Limited

Opinion

We have audited the financial statements of Kaplan Open Learning (Essex) Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Analysis of net debt, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the requirements of the Office for Students' Accounts Direction (OfS 2019.41); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Kaplan Open Learning (Essex) Limited (continued)

Opinion on other matters prescribed by the office for students' accounts direction (OFS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation; and
- funds provided by the Office for Students have been applied in accordance with the relevant terms and conditions.

Under the Office for Students' Accounts Direction, we are required to report to you if we have anything to report in respect of the following matters:

- The grant and fee income, as disclosed in note 4 to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 4 , the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are detailed below. In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and noncompliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;

Independent auditors' report to the members of Kaplan Open Learning (Essex) Limited (continued)

- results of our enquiries of management and the board about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud, which included incorrect recognition of revenue and management override of controls using manual journal entries, and these were identified as the greatest potential area for fraud.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included compliance with the requirements of the Office for Students (OfS); Health and Safety regulations; UK Visa Immigration, Safeguarding and GDPR; Company law; and tax and employment legislation.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of management and those charged with governance concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; and assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Independent auditors' report to the members of Kaplan Open Learning (Essex) Limited (continued)

USE OF OUR REPORT

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Bishop Fleming LLP

Craig Sullivan FCCA (Senior statutory auditor)
for and on behalf of
Bishop Fleming LLP
Chartered Accountants
Statutory Auditors
10 Temple Back
Bristol
BS1 6FL
Date: 27/07/2021

Statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	4	**10,400**	7,814
Cost of sales		**(3,808)**	(2,801)
Gross profit		**6,592**	5,013
Administrative expenses		**(4,542)**	(3,596)
Profit before tax	5	**2,050**	1,417
Tax on profit	8	**(424)**	(272)
Profit for the financial year		**1,626**	1,145
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**1,626**	1,145

Statement of financial position

As at 31 December 2020

	Note	2020		2019	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	10		**171**		145
Tangible assets	9		**118**		80
			289		225
Current assets					
Debtors	11	**8,530**		3,771	
Cash at bank and in hand	12	**1,221**		803	
		9,751		4,574	
Creditors: amounts falling due within one year	13	**(10,799)**		(7,184)	
Net current liabilities			**(1,048)**		(2,610)
Net liabilities			**(759)**		(2,385)
Capital and reserves					
Called up share capital	16		-		-
Accumulated losses			(759)		(2,385)
Total equity			(759)		(2,385)

The notes on pages 18 to 29 form part of these financial statements.

The financial statements on pages 13 to 29 were approved by the board of directors and accountable officer to the OFS on 26th July 2021 and were signed on its behalf by:

Andrew Thick   N Pittman

A Thick
Director

N Pittman
Accountable officer to the OFS

Kaplan Open Learning (Essex) Limited
Registered number 06245017

Statement of changes in equity
for the year ended 31 December 2020

	Called up share capital £000	Accumulated losses £000	Total equity £000
At 1 January 2019	-	(3,530)	(3,530)
Profit for the financial year	-	1,145	1,145
Total comprehensive income for the year	-	1,145	1,145
At 31 December 2019	-	(2,385)	(2,385)
At 1 January 2020	**-**	**(2,385)**	**(2,385)**
Profit for the financial year	**-**	**1,626**	**1,626**
Total comprehensive income for the year	**-**	**1,626**	**1,626**
At 31 December 2020	**-**	**(759)**	**(759)**

Statement of cash flows
for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit after tax		**1,626**	1,145
Adjustments for:			
Depreciation of tangible assets	9	**84**	60
Amortisation of intangible assets	10	**74**	52
Increase in debtors	11	**(4,760)**	(2,111)
Increase/(decrease) in creditors	13	**3,614**	(698)
Net cash (used in)/generated from operating activities		**639**	(1,552)
Cash flows from investing activities			
Purchase of fixed assets	9	**(122)**	(28)
Purchase of intangible assets	10	**(99)**	(100)
Net cash used in investing activities		**(221)**	(128)
Net increase/(decrease) in cash and cash equivalents		**418**	(1,680)
Cash and cash equivalents at the beginning of the year		**803**	2,483
Cash and cash equivalents at the end of the year		**1,221**	803
Cash and cash equivalents at the end of the year comprise:			
Cash at bank and in hand	12	**1,221**	803
Cash and cash equivalents		**1,221**	803

Analysis of net debt
for the *year ended 31 December 2020*

	At 31 December 2019	Cash flows	At 31 December 2020
	£000	**£000**	**£000**
Cash at bank and in hand	803	418	1,221
	803	**418**	**1,221**

Notes to the financial statements for the year ended 31 December 2020

1 General information

The company operates an affiliated college, in co-operation with the University of Essex, offering online higher education programmes for students who wish to obtain a university degree via online study.

The company is a private company limited by shares and is incorporated in England. The address of its registered office is 2nd Floor, Warwick Building Kensington Village, Avonmore Road, London, England, W14 8HQ.

2 Accounting policies

The financial statements have been prepared in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102) and the Companies Act 2006. The financial statements conform to guidance published by the Office for Students (OFS) in the Regulatory Advice 9: Accounts Direction (OFS 2019.41).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's policies (see note 3).

2.1 Going concern

The financial statements disclose all matters of which we are aware that are relevant to the ability of the company and its subsidiary to continue as a going concern, including all significant conditions and events, mitigating factors and plans of the company. The company also has the intent and ability to take actions necessary to continue as a going concern, and has obtained a letter of support from Graham Holdings Company (the ultimate parent company) which provides support for meeting our liabilities as and when they fall due, but only to the extent that money is not otherwise available to meet such liabilities. This support will take the form of cash injection or parent company guarantees where appropriate and the support has been provided for a minimum period of 12 months from the date of signing of the financial statements.

2.2 Exemptions under FRS 102

The company has taken advantage of the following disclosures exemptions as part of wholly owned Group:

- Non-disclosure of transactions or balances with entities that are part of the group or investments of the group qualifying as related parties where 100% of the company's voting rights are controlled within the group. This is a requirement under FRS 102.33.1A;
- Non-disclosure of the reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12 (a)(iv) of FRS 102;
- Non-disclosure of the company key management personnel compensation, as required by FRS 102 paragraph 33.7; and
- The requirement to present disclosures relating to financial instruments as required by sections 11 and 12 of FRS 102.

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable net of discounts and excluding value added tax.

Turnover is recognised based on the average duration of study of the course, between 8 to 48 months. The release of deferred revenue is estimated by management at each reporting date on an individual student basis. Management considers the length of the course, the average time it takes to complete the course, adjusted by the speed of study for each individual student. The company temporarily suspends recognition of turnover for students who pause their studies.

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.3 Turnover (continued)

Any receipts in advance of a course starting date are held of the Statement of financial position as deferred income. Where tuition has been provided to students but invoice are yet to be raised, such amounts are recognised as accrued income.

2.4 Current and deferred tax

Tax expense for the year comprises current and deferred tax recognised in the financial year. Tax is recognised in the profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax

Current tax is the amount of income tax payable or receivable in respect of the taxable profit or loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences between the taxable profits/losses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and are expected to apply to the reversal of the timing difference.

2.5 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations. The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company which is administered by Aviva Insurance.

2.6 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.7 Tangible fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Statement of comprehensive income during the year in which they are incurred.

Assets under construction are measured at cost less any recognised impairment loss. These assets are capitalised when they are considered ready for use and depreciated from such date.

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.7 Tangible fixed assets and depreciation (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Short leasehold land and buildings	-	10 years or term of lease, whichever is shorter
Fixtures and fittings and office equipment	-	5 – 10 years
Computer equipment and software	-	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

At each reporting date, the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. A review is carried out annually by the directors to assess if any indications of impairment exist.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of comprehensive income.

2.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Product development	-	3 years

Amortisation is included in administrative expenses in the Statement of comprehensive income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Development costs that are directly attributable to the design and testing of identifiable and unique educational course content for the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Accounting policies (continued)

2.12 Operating leases: Lessee

Rents due under operating leases are charged to the Statement of comprehensive income based on the amount contractually due for the period. Operating leases where increases are not deemed inflationary are charged on a straight-line basis over the period of the lease.

2.13 Foreign currency

The company's functional and presentational currency is GBP.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end, foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income.

3 Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is addressed below.

Allowance for doubtful short-term debtor balances is accounted for based on whether the amounts owed in relation to students are at risk of non-payment. The review of doubtful debt is conducted during the year and at year-end. Allowance for doubtful debtor balances are based on historic trends as well as specific cases.

The release of deferred revenue is estimated by management at each reporting date on an individual student basis. Management considers the length of the course, the average time it takes to complete the course, adjusted by the speed of study for each individual student.

Notes to the financial statements for the year ended 31 December 2020 (continued)

4 Turnover

Turnover relates solely to the principal activity of the company which is considered to be one class of business and relates to services delivered from the UK.

The following table shows the sources of turnover:

	2020 £000	2019 £000
Grant income from the Ofs	38	-
Grant income from other bodies	-	-
Fee income for taught awards (exclusive of VAT)	10,362	7,814
Fee income for research awards (exclusive of VAT)	-	-
Fee income from non-qualifying courses (exclusive of VAT)	-	-
Total grant and fee income	10,400	7,814

5 Profit before tax

	2020 £000	2019 £000
Profit before tax is stated after charging:		
Staff costs (note 7)	2,477	2,145
Auditors' remuneration	13	15
Depreciation of tangible assets (note 9)	84	60
Amortisation of intangible fixed assets (note 10)	74	52
Impairment of trade debtors	49	34
Foreign exchange losses	77	42
Operating lease charges - land and buildings	85	81
Operating lease charges - Plant and machinery	1	1

6 Directors' remuneration

Kaplan International Colleges U.K. Limited, a fellow subsidiary undertaking, bears the cost of remuneration for one director (2019: one). Aspect Education Limited, a fellow subsidiary undertaking, also bears the cost of remuneration for one director (2019: one). Details of their remuneration can be found in those companies' financial statements. It is not possible to make an appropriate apportionment for the element of remuneration which relates to the company.

7 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2020 £000	2019 £000
Type of activity		
Programme management & student services	15	30
Administration	79	41
	94	71

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Staff numbers and costs (continued)

The aggregate costs of those persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	2,211	1,892
Social security costs	186	176
Other pension costs (note 15)	79	77
	2,477	2,145

The number of persons employed by the company (including directors) during the year, analysed by the following pay band, was as follows:

	2020	2019
£100,000 to £105,000	-	-
£105,001 to £110,000	-	-
£110,001 to £115,000	-	1
£115,001 to £120,000	-	-
£120,001 to £125,000	-	-
£125,001 to £130,000	-	-
£131,001 to £135,000	-	-
£135,001 to £140,000	1	-

The Company is registered with the Office for Students. As part of its ongoing requirements of registration the following disclosures are required in respect of the head of provider.

The head of provider's remuneration package is based on a number of factors. As well as having executive responsibilities over the online partnership with an established UK University, the head of provider plays a key role in working closely with regulatory bodies and industry leaders, helping to shape the future of Higher Education in the UK and beyond for all students. The remuneration includes compensation typical of that for an equivalent senior role in the private sector in which Kaplan Open Learning (Essex) Limited operates. The wider Group operates a remuneration committee which reviews and approves compensation levels for senior members of staff, including the head of provider. The head of provider's remuneration package consists of a basic salary of £92k (2019: £90k), bonus of £41k (2019: £27k) and pension of £5k (2019: £5k).

The head of provider's basic salary is 3.9 (2019: 3.4) times the mean pay of staff, where the mean pay is calculated on an absolute headcount basis for the salaries paid by the Company to its staff. The head of provider's total remuneration is 5.7 (2019: 4.4) times the mean total remuneration of staff, where the mean total remuneration is calculated on an absolute headcount basis for the total remuneration by the Company of its staff. It is not possible for the Company to report on median pay basis by reference to full time pay as the Company does not record information at this level of detail.

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 **Tax on profit**

	2020	2019
The charge / (credit) for taxation is made up as follows:	**£000**	£000
Current tax:		
UK corporation tax on profit for the year	**-**	60
Group relief payable	**440**	218
Adjustments in respect of prior periods	**(7)**	1
Total current tax	**433**	279
Deferred tax:		
Origination and reversal of timing differences	**(10)**	(5)
Adjustments in respect of prior periods	**4**	(2)
Effect of tax rate change on opening balance	**(3)**	-
Total deferred tax (note 14)	**(9)**	(7)
Tax on profit	**424**	272

The tax assessed for the year is the same as the standard rate of corporation tax in the UK for the year of 19% (2019: 19%). The tax assessed are explained below:

	2020	2019
	£000	£000
Reconciliation of tax charge:		
Profit before tax	**2,050**	1,417
Profit before tax multiplied by the standard rate of tax in the United Kingdom of 19% (2019: 19%)	**389**	269
Effects of:		
Disallowed expenses	**41**	3
Adjustment to closing deferred tax to average rate of 19%	**-**	4
Adjustment to opening deferred tax to average rate of 19%	**(3)**	(3)
Adjustment to tax charge in respect of prior years - current tax	**(7)**	1
Adjustment to tax charge in respect of prior years - deferred tax	**4**	(2)
Total tax charge /(credit) for the financial year	**424**	272

Factors affecting current and future tax charges

There were no factors that may affect future tax charges.

Notes to the financial statements for the year ended 31 December 2020 (continued)

9 Tangible assets

	Short leasehold land and buildings	Fixtures, fittings and office equipment	Computer equipment and software	Total
	£000	£000	£000	£000
Cost				
At 1 January 2020	73	90	301	464
Additions	-	-	122	122
At 31 December 2020	**73**	**90**	**423**	**586**
Accumulated depreciation				
At 1 January 2020	70	79	235	384
Charge for the year	2	6	76	84
At 31 December 2020	**72**	**85**	**311**	**468**
Net book value				
At 1 January 2020	3	11	66	80
At 31 December 2020	**1**	**5**	**112**	**118**

10 Intangible assets

	Product development	Intangible assets under development	Total
Cost	£000	£000	£000
At 1 January 2020	205	29	234
Additions	100	-	**100**
At 31 December 2020	**305**	**29**	**334**
Accumulated amortisation			
At 1 January 2020	89	-	89
Charge for the year	74	-	**74**
At 31 December 2020	**163**	-	**163**
Net book value			
At 1 January 2020	116	29	145
At 31 December 2020	**142**	**29**	**171**

Notes to the financial statements for the year ended 31 December 2020 (continued)

11 Debtors

	2020	2019
	£000	£000
Amounts due within one year:		
Trade debtors	**596**	425
Amounts owed by group undertakings	**7,759**	3,210
Other debtors	**63**	23
Deferred tax (note 14)	**42**	32
Prepayments and accrued income	**70**	81
	8,530	3,771

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £357k (2019: £308k).

12 Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	**1,221**	803
	1,221	803

13 Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Amounts owed to group undertakings	**2,242**	1,774
Other creditors	**274**	423
Corporation tax	**439**	219
Other taxation and social security	**-**	40
Deferred income	**5,497**	3,423
Accruals	**2,347**	1,305
	10,799	7,184

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 Deferred tax

The amount included in the debtors note for deferred tax is set out as below:

	2020	2019
	£000	£000
Difference between depreciation and capital allowances	**28**	21
Other timing differences	**14**	11
	42	32

At 1 January 2020	**32**	25
Credit to the Statement of comprehensive income (note 8)	**10**	7
At 31 December 2020	**42**	32

15 Pension schemes

The company contributes to the group personal pension plans administered by Aviva Insurance. The pension charge for the year amounted to £77k (2019: £nil). No contributions were outstanding at the end of the year (2019: £nil).

16 Called up share capital

	2020	2019
	£000	£000
Allotted and fully paid		
One ordinary share of £1 (2019: £1)	-	-

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

Notes to the financial statements for the year ended 31 December 2020 (continued)

17 Financial instruments

	2020 £000	2019 £000
The company has the following financial instruments:		
Cash at bank and in hand (note 12)	1,221	803
Financial assets that are debt instruments measured amortised cost:		
Trade debtors (note 11)	596	425
Amounts owed by group undertakings (note 11)	7,759	3,210
Other debtors (note 11)	63	23
	9,639	4,461

	2020 £000	2019 £000
Financial liabilities measured at amortised cost:		
Amounts owed to group undertakings (note 13)	2,242	1,774
Accruals (note 13)	2,347	1,305
	4,589	3,079

18 Commitments

The company had future minimum lease payments under non-cancellable operating leases for land and buildings and plant and machinery as shown below:

	Land and buildings		Plant and machinery	
	2020 £000	2019 £000	2020 £000	2019 £000
Payments due:				
Not later than one year	27	132	1	1
Later than one year but not later than five years	-	33	-	5
More than five years	-	-	-	1
	27	165	1	7

19 Controlling party

Throughout the year the company was a wholly owned subsidiary of the immediate parent undertaking company Kaplan Open Learning Limited. The results of the company are consolidated by its immediate parent company, copies of its consolidated financial statements can be found at Companies House website. Its registered address is Palace House, 3 Cathedral Street, London, SE1 9DE. The ultimate controlling party is Graham Holdings, which is incorporated in the USA, details of which can be found on the Graham Holdings company website (www.ghco.com). Its registered address is 1300 North 17th Street, Suite 1700, Arlington VA 22209, United States.